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INFO RUCNMRC/WESTERN HEMISPHERIC AFFAIRS DIPL POSTS IMMEDIATE

RUEHSO/AMCONSUL SAO PAULO IMMEDIATE 3709

RUCPDOC/USDOC WASHINGTON DC IMMEDIATE

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RUEABND/DEA HQS WASHINGTON DC IMMEDIATE

RHMFIUU/DEPT OF HOMELAND SECURITY WASHINGTON DC IMMEDIATE

RHMFIUU/DEPT OF JUSTICE WASHINGTON DC IMMEDIATE

UNCLAS SECTION 01 OF 02 BUENOS AIRES 000725

SENSITIVE

SIPDIS

TRESAURY FOR OTA (LMCDONALD, CCORREA)

TREASURY FOR TFFS, OFAC, FINCEN

DHS FOR ICE

JUSTICE FOR OIA AND AFMLS

E.O. 12958: N/A

TAGS: KTFN EFIN PREL AR

SUBJECT: ARGENTINE CENTRAL BANK PRESIDENT COMMENTS ON
TREASURY OTA'S PROPOSED COUNTER-TERRORISM FINANCE TECHNICAL
ASSISTANCE PROGRAM

REF: A. BUENOS AIRES 549
1B. 2007 BUENOS AIRES 1417
1C. BUENOS AIRES 575
1D. BUENOS AIRES 589

Summary

11. (SBU) Ambassador informed Argentine Central Bank (BCRA) President Martin Redrado May 19 that Treasury's Office of Technical Assistance had nearly completed a technical assistance agreement on terrorism finance for the BCRA and GOA regulatory agencies. The question now is how to fund it, and Redrado agreed to investigate funding alternatives, particularly with the IDB. He noted that he was already discussing with IDB President Moreno a region-wide project to develop common bank supervision standards related to money laundering and terrorism finance. His goal is to increase Argentine financial institutions' credibility with risk-averse U.S. banks. Redrado also suggested adding this topic to the agenda of the next high-level bilateral framework meeting headed by State and the Foreign Affairs Ministry. End Summary.

USG Technical Assistance on Terrorism Finance

12. (SBU) The Ambassador informed Redrado that Treasury's Office of Technical Assistance (OTA) had almost completed the re-write of a broad technical assistance program on terrorism finance. (This initiative originated with a request from Redrado to the Ambassador, following the entry into effect in July 2007 of Argentina's counter-terrorism finance law. See Ref A.) EconOff added that OTA had developed the project in concert with the BCRA's Banking Supervision Department and also with the GOA's securities and insurance sector regulators. He added that representatives from both sides had made final edits to the project documents (technical assessment and work plan) during OTA's April 28-30 visit to Buenos Aires. EconOff estimated that OTA would within weeks present a final agreement for approval and signature that would be acceptable to the Argentinian side and feasible from OTA's perspective.

¶3. (SBU) The Ambassador noted that the question now was how to fund the program. He commented that during a meeting he had with IDB President Luis Alberto Moreno in Buenos Aires on April 21 (Ref B), Moreno had expressed interest in funding projects related to anti-money laundering and counter-terrorism finance (AML/CTF). Econoff added that BCRA counterparts had previously agreed to make inquiries at the IDB, but it appeared that these contacts had for unclear reasons not occurred.

¶4. (SBU) Redrado welcomed the development, and agreed to explore various options to fund the initiative, including seeking assistance from the IDB. He noted that the BCRA itself would likely be able to fund costs associated with travel, per diem, and materials, particularly for USG advisors and trainers. However, he thought they might have more trouble funding the participation of contractors. Nevertheless, he urged the Ambassador to accelerate the process with the goal of starting the project this year.

Adopting Common Standards and Improving Bank Credibility

¶5. (SBU) Redrado said that he had already discussed with Moreno a region-wide project to develop common standards for bank supervision in the area of AML/CTF. He argued that his proposal to the IDB was partly motivated by the need to increase Argentine financial institutions' credibility with U.S. banks, which are risk averse due to Patriot Act restrictions and as a consequence have reduced their exposure

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in Argentina and the rest of Latin America. Redrado lightly criticized the "counterproductive" aspects of the Patriot Act, claiming that Latin American financial sector business was increasingly going to Europe.

¶6. (SBU) Redrado commented that in his opinion the Patriot Act was too powerful of a weapon to use against terrorism finance, as it required a high degree of certainty in a region where "most banks" think terrorism finance is not a significant problem. He mused over ways to create better enforcement and coordination, and suggested that Treasury's "Latin American Private Sector Dialogue" is a good start, but not enough. Redrado said that Moreno had agreed for the IDB to fund a study on the informal sector in Argentine, possibly expanding it to the region. He thought that this might help expose and define the extent of the money laundering/terrorism finance problem in the region and also serve as the basis for developing common regulation and enforcement standards within the region.

Adding AML/CTF to Bilateral Consultative Dialogue

¶7. (SBU) Redrado also recommended adding the topic of money laundering/terrorism finance and related bank supervision to the agenda of the high-level consultative process that WHA Assistant Secretary Tom Shannon and GoA Foreign Minister Taiana agreed to revive (see Refs C and D for background). WAYNE